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## RESEARCH BRIEF

# Offering and Enrollment in High Deductible Health Plans at Massachusetts Firms: Which Workers Can Offset Cost through a Savings Option?

November 2020

### Summary

**Issue:** With rising health care costs, employers that offer insurance coverage to employees have shifted toward high deductible health plans (HDHPs) as a way to lower health insurance premiums, either including an HDHP as one choice in the set of plans offered to employees or as the only plan offered to employees.

**Objective:** To expand the understanding of employee access to HDHPs at Massachusetts firms, with a focus on the availability of tax-deferred savings options (health savings accounts or health reimbursement accounts) in conjunction with HDHPs as a resource to help employees offset costs.

**Study Design:** Using CHIA's 2018 Massachusetts Employer Survey, this study examines offer and coverage rates for employees at Massachusetts firms for HDHPs, HDHPs with a savings option (HDHP+SO) and HDHPs without a savings option (HDHP non-SO) in the statewide employer-sponsored insurance (ESI) market.

**Key Findings:** The majority (70%) of employees at Massachusetts firms were offered an HDHP by their employer; however, only 39% were offered an HDHP with a savings option. HDHP options varied greatly by key firm characteristics, with a greater share of HDHP enrollees at small firms, firms with a high share of low-wage workers, and firms with a high share of part-time workers covered by plans without a savings option. While all HDHP enrollees face significant financial responsibility for their health care costs before meeting their deductible, those without a savings option may be less prepared to afford those costs.

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## Introduction

The majority of Massachusetts residents acquire health insurance through their own or a family member's employer, making employers' decisions about which health plans to offer a critical factor in the affordability of health insurance coverage. With rising health care costs, employers have shifted toward high deductible health plans (HDHPs<sup>1</sup>) as a way to lower health insurance premiums, making these plans a common option for employees. In 2018, 70% of employees at Massachusetts firms who were offered insurance were offered an HDHP by their employer.<sup>2</sup>

Some HDHPs are coupled with a tax-deferred savings option (either a health reimbursement account (HRA) or health savings account (HSA)). Savings options can help mitigate the burden of higher cost-sharing under HDHPs for consumers. However, little is known about the types of HDHPs offered to Massachusetts employees, particularly differences by firm characteristics. Firm characteristics like size and share of low-wage or part-time workers have historically been associated with variation in health benefit offerings.<sup>3</sup> This study documents the types of HDHPs offered to and selected by employees by key firm characteristics, paying particular attention to HDHPs with tax-deferred savings options (HSAs or HRAs).

Data from the 2018 Massachusetts Employer Survey (MES) are used for this brief. The MES is a cross-sectional survey with a stratified sample of firms with three or more Massachusetts employees. Participating employers were asked questions about their offering of health insurance, employee demographics and earnings, and employee enrollment in insurance coverage. The rates at which employees are offered and covered by HDHPs were compared by firm size, employee wage rates, and employee hours of work based on the following characteristics:

- Small firms are defined as firms with fewer than 50 employees, medium firms are firms with 50 to 199 employees, and large firms are firms with 200 or more employees.
- Firms with a high share of low-wage workers are defined as firms with at least 35% of their full-time employees earning an annual income of \$29,000 or less.<sup>4</sup>
- Firms with a high share of part-time workers are defined as firms with at least 35% of their employees working fewer than 30 hours per week.

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<sup>1</sup> Defined by the IRS, HDHPs included plans with an annual deductible of at least \$1,350 for single coverage and \$2,700 for family coverage in 2018.

<sup>2</sup> *2018 Massachusetts Employer Survey Summary of Results*. 2019, Center for Health Information and Analysis.

<sup>3</sup> *2018 Massachusetts Employer Survey Summary of Results*. 2019, Center for Health Information and Analysis.

<sup>4</sup> Following the approach developed by the Kaiser Family Foundation's Employer Health Benefits Survey, the earning threshold is based on the 25th percentile of Massachusetts full-time workers' earnings as reported by the Bureau of Labor Statistics using data from the Occupational Employment Statistics (OES) in 2018. <https://www.bls.gov/oes/tables.htm>.

**Table 1. Distribution of MA Firms and Employees at Those Firms by Firm Size, Share of Low-Wage Workers, and Share of Part-Time Workers in 2018**

FIRM TYPE	FIRMS		EMPLOYEES	
	#	%	#	%
All firms <sup>5</sup>	67,035	100%	3,812,934	100%
Small firms	54,260	81%	727,515	19%
Medium firms	10,410	16%	899,442	24%
Large firms	2,365	4%	2,185,978	57%
Firms with a high share of low-wage workers	8,391	13%	628,652	16%
Firms without a high share of low-wage workers	27,429	41%	2,021,273	53%
Firms with a high share of part-time workers	19,611	29%	1,370,776	36%
Firms without a high share of part-time workers	28,961	43%	1,891,314	50%

In 2018, over 80% of firms in Massachusetts were small firms comprised of fewer than 50 employees. While these small firms made up the largest proportion of employers in the state, the workers at these firms accounted for only 19% of all workers in Massachusetts. Medium firms with 50 to 199 employees accounted for 16% of all firms in Massachusetts and a quarter of all employees (24%) in the state. Finally, large firms with 200 or more employees made up just 4% of firms but accounted for 57% of all workers.

While 13% of firms had a high share of low-wage workers, they accounted for one-sixth of employees (16%). Lastly, 29% of Massachusetts firms had a high share of part-time workers, accounting for over one-third of all employees (36%).

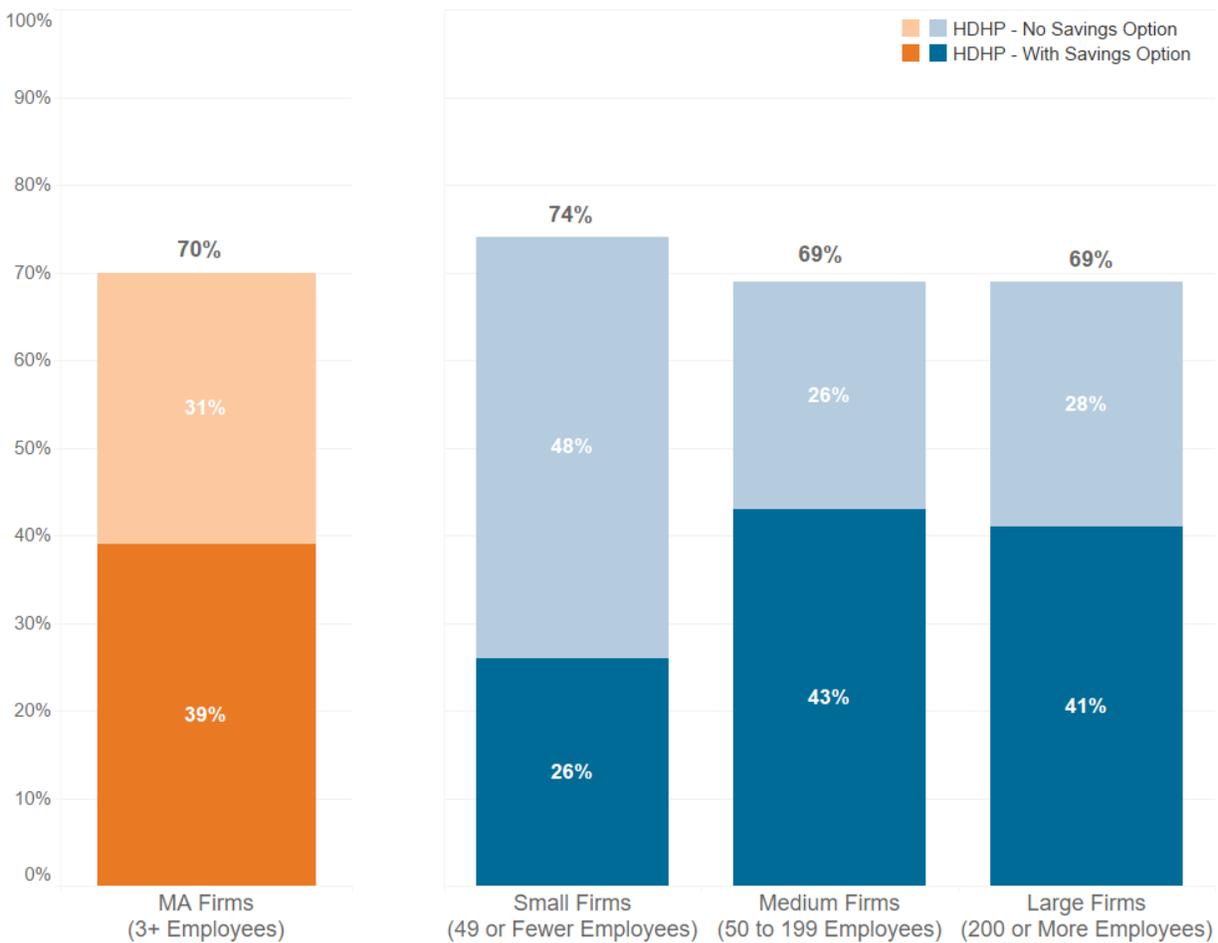
<sup>5</sup> Due to missing data, counts of firms and employees by firm characteristic may not add to the total for all firms.

# HDHP Options by Firm Size

Employees at small firms were more likely to be offered an HDHP without a savings option than employees at medium and large firms.

In 2018, 70% of Massachusetts employees were offered an HDHP by their employer,<sup>6</sup> with 39% offered an HDHP with a savings option (HDHP+SO) and 31% offered an HDHP without a savings option (HDHP non-SO). Employees at small firms were more likely to be offered an HDHP non-SO compared to employees at medium and large firms. Nearly half of small firm employees (48%) were offered an HDHP non-SO, compared to 26% of medium firm employees and 28% of large firm employees.

## 1.1 Percent of Employees at MA Firms Offered a High Deductible Health Plan (HDHP) through their Employer by Firm Size, Among MA Firms Offering Health Insurance

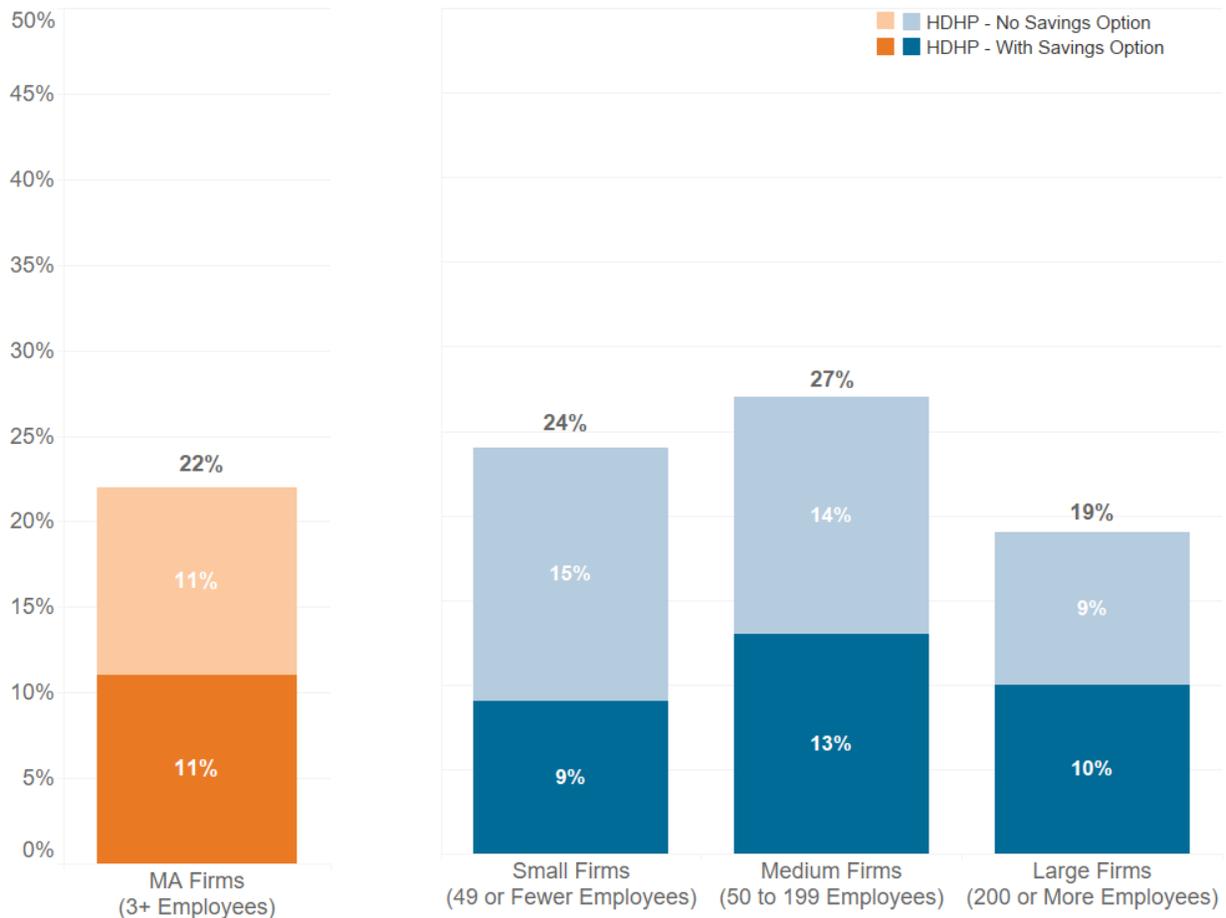


<sup>6</sup> The MES captures coverage information for employees enrolled in their own employer's plan. However, there could be employees that did not enroll in their employer's insurance and are covered under a family member's plan. The coverage rates depicted here are only for employees who are covered by plans through their employer.

## Employees at small and medium firms were more likely to select and be covered by an HDHP without a savings option than employees at large firms.

Employees decide whether or not to enroll in health plans offered by their employer based on the options offered and any alternatives available to them (e.g., coverage through another family member, public insurance, or remain or become uninsured). In 2018, 22% of Massachusetts employees who were offered insurance were enrolled in an HDHP through their employer, with the same share (11%) covered by HDHP+SO and HDHP non-SO plans. A greater share of employees at small and mid-sized firms were covered by their firm's HDHP (24% and 27%, respectively, vs. 19% at large firms). Higher enrollment in HDHPs for employees at small and medium firms could reflect limited availability of non-HDHP plans through their employers or limited coverage options through other sources. The share of employees enrolled in their firm's HDHP without any savings options was also higher at small and medium firms compared to large firms (15% and 14%, respectively, vs. 9%).

### 1.2 Percent of Employees at MA Firms Covered by a High Deductible Health Plan (HDHP) through their Employer by Firm Size, Among MA Firms Offering Health Insurance

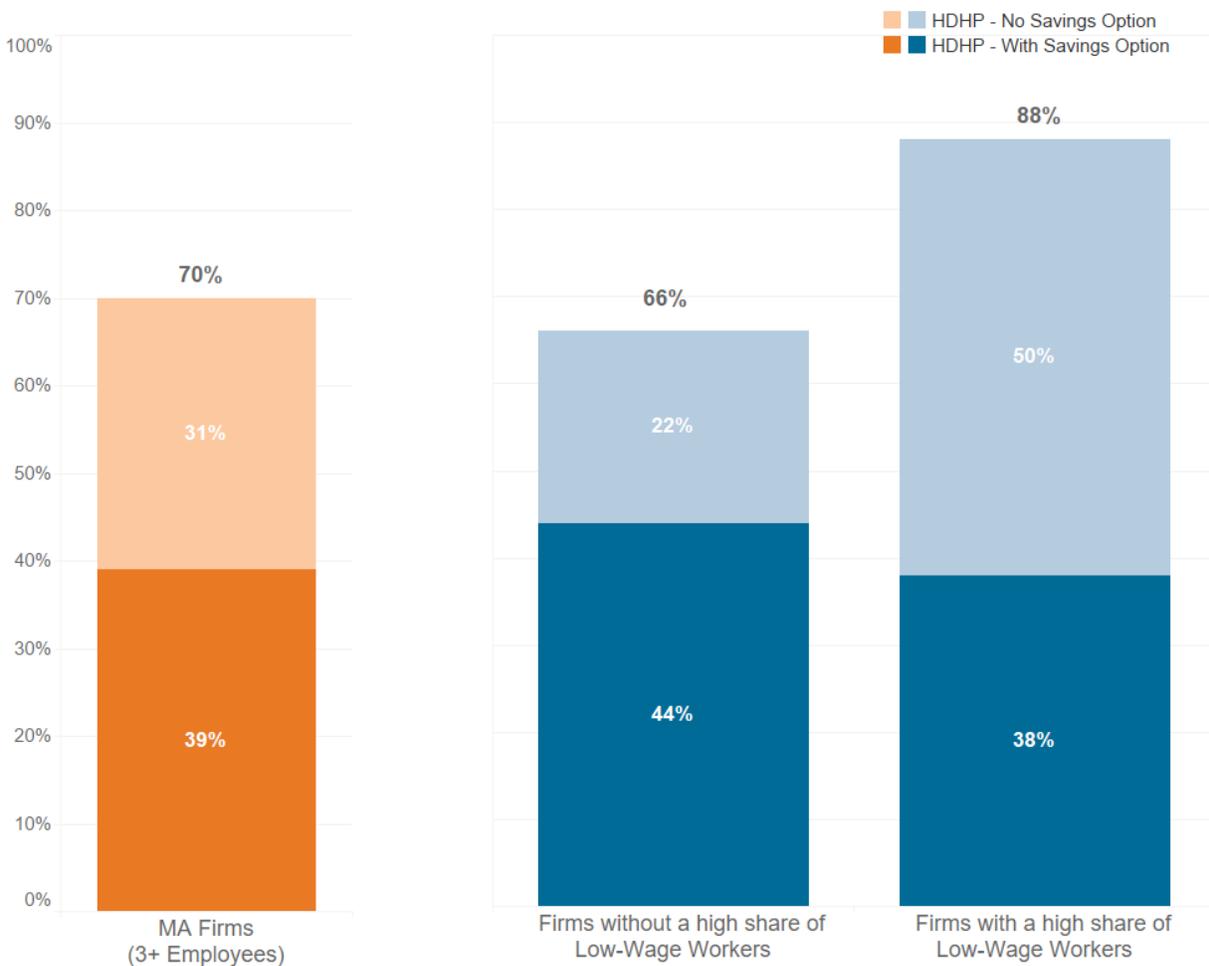


## HDHP Options by Share of Low-Wage Workers

### Employees at firms with a high share of low-wage workers had more limited access to HDHPs with a savings option than employees at other firms.

Nearly nine out of 10 (88%) employees were offered an HDHP through their employer at firms with a high share of low-wage workers compared to two-thirds (66%) of employees at firms without a high share of low-wage workers. Employees at firms with a high share of low-wage workers were also more likely to be offered an HDHP non-SO plan. Half of employees (50%) at firms with a high share of low-wage workers were offered an HDHP non-SO compared to 22% of employees at firms without a high share of low-wage workers. Despite overall higher availability of HDHPs at firms with a high share of low-wage workers, a smaller share of employees at these firms were offered an HDHP with a savings option (38%) compared to employees at firms without a high share of low-wage workers (44%).

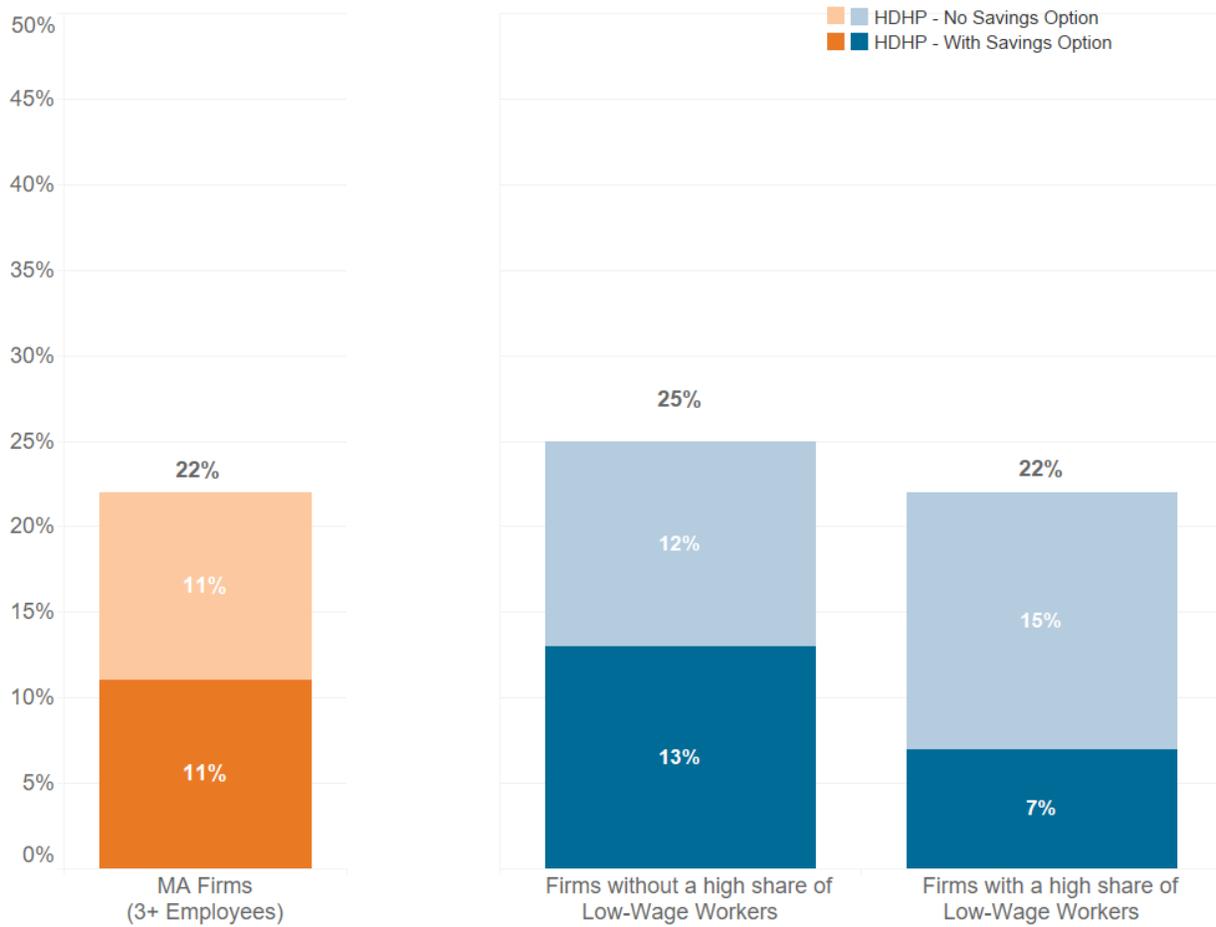
### 2.1 Percent of Employees at MA Firms Offered a High Deductible Health Plan (HDHP) through their Employer by Share of Low-Wage Workers, Among MA Firms Offering Health Insurance



## Employees at firms with a high share of low-wage workers were less likely than other employees to select and be covered by HDHPs with a savings option.

At firms without a high share of low-wage workers, equal proportions of employees were enrolled in HDHP+SO and HDHP non-SO plans. However, at firms with a high share of low-wage workers, employees were two times more likely to be covered by an HDHP non-SO plan than an HDHP+SO plan. Fifteen percent (15%) of employees at firms with a high share of low-wage workers were covered by an HDHP non-SO plan while only 7% were covered by an HDHP+SO plan.

### 2.2 Percent of Employees at MA Firms Covered by a High Deductible Health Plan (HDHP) through their Employer by Share of Low-Wage Workers, Among MA Firms Offering Health Insurance

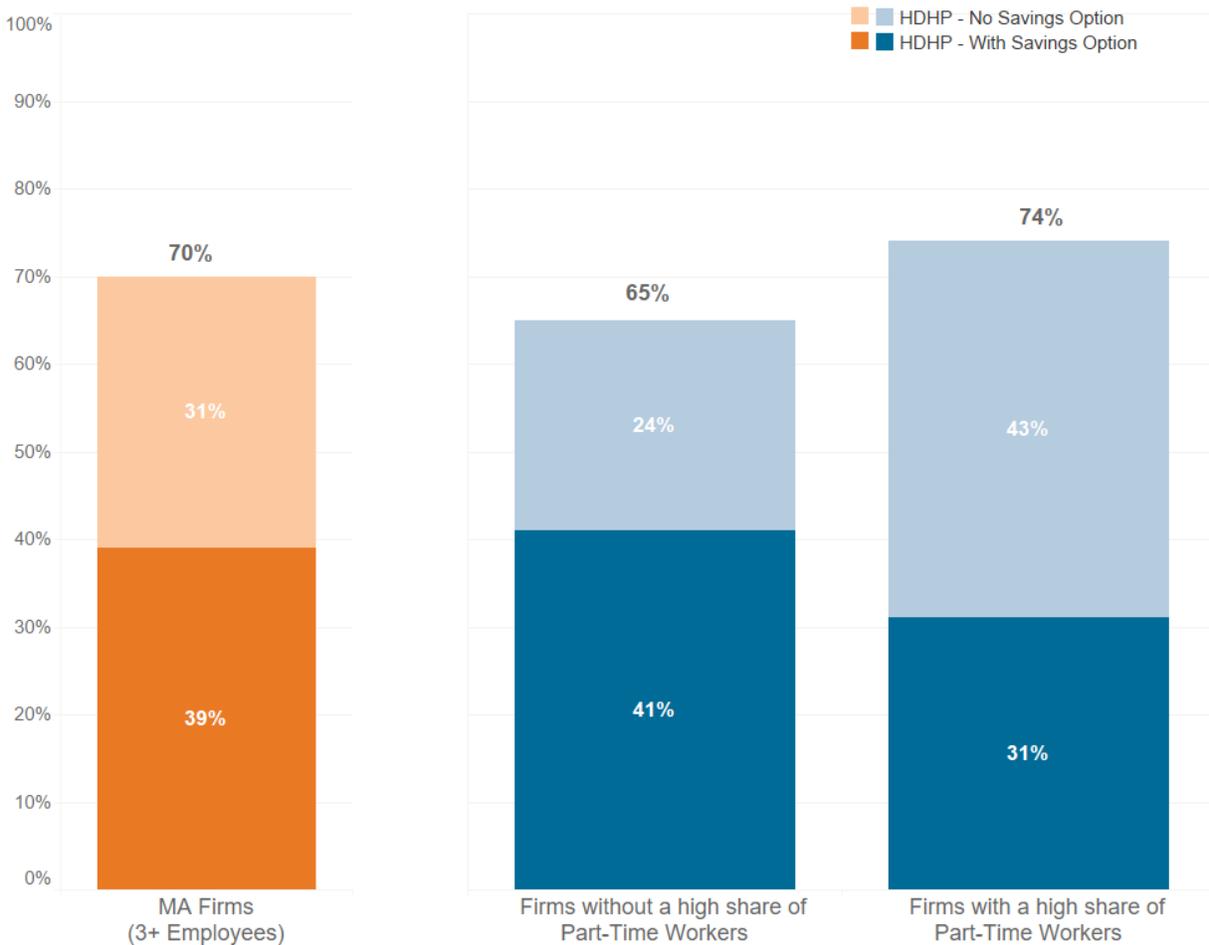


## HDHP Options by Share of Part-Time Workers

**Employees at firms with a high share of part-time workers were more likely to be offered an HDHP without a savings option.**

At firms with a high share of part-time workers, nearly three quarters of employees were offered an HDHP (74%) through their employer compared to 65% of employees at firms without a high share of part-time workers. Employees at firms with a high share of part-time workers were more likely to be offered an HDHP non-SO plan than employees at firms without a high share of part-time workers (43% vs. 24%). In contrast, a smaller share of employees at firms with a high share of part-time workers were offered an HDHP+SO compared to employees at firms without a high share of part-time workers (31% vs. 41%).

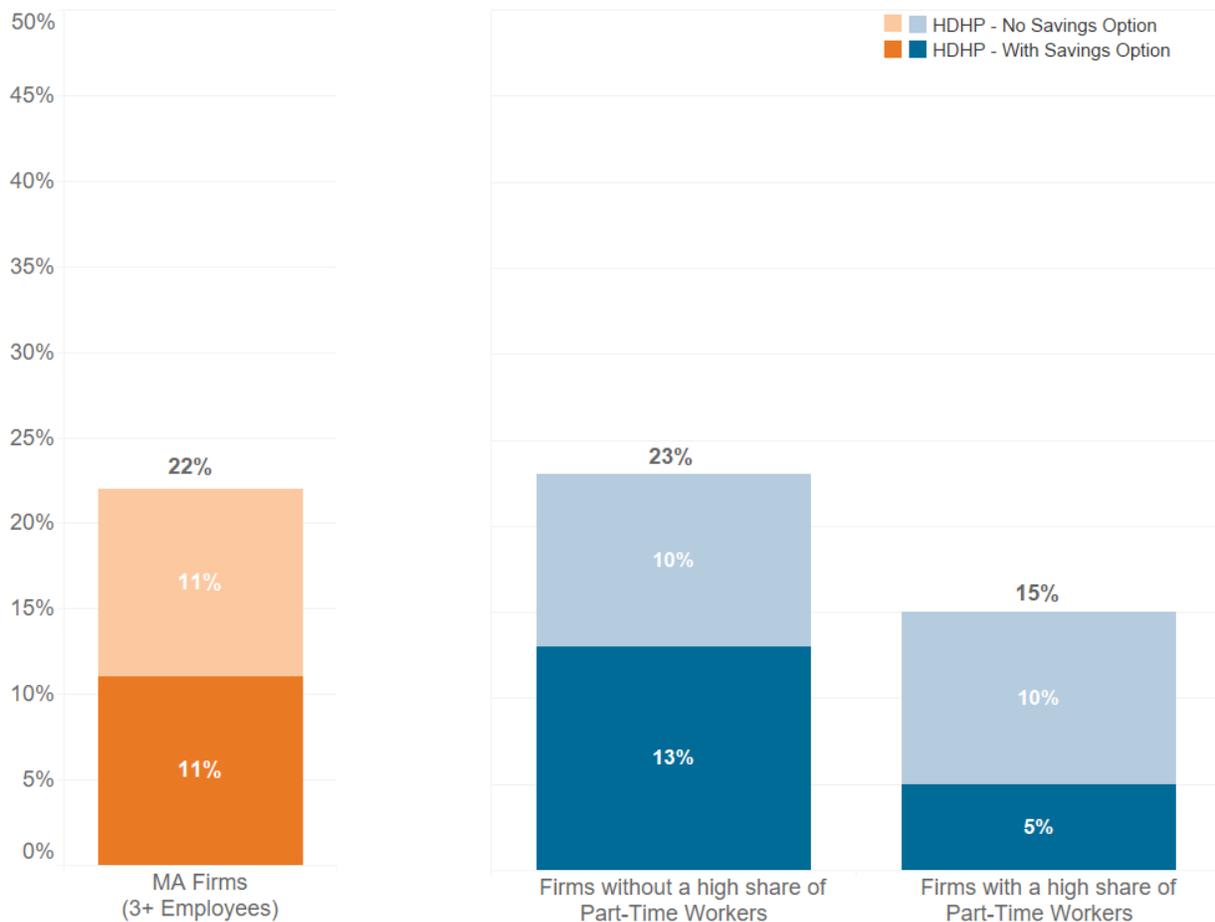
### 3.1 Percent of Employees at MA Firms Offered a High Deductible Health Plan (HDHP) through their Employer by Share of Part-Time Workers, Among MA Firms Offering Health Insurance



## Employees at firms with a high share of part-time workers were more likely to select and be covered by an HDHP without a savings option.

Employees at firms with a high share of part-time workers were more likely to be offered an HDHP; however, enrollment in HDHPs was higher among employees at firms without a high share of part-time workers (23% vs. 15%, respectively). At firms without a high share of part-time workers, a slightly greater portion of employees were enrolled in an HDHP+SO (13%) compared to HDHP non-SO (10%). At firms with a high share of part-time workers, however, employees were over two times more likely to be covered by an HDHP non-SO plan than an HDHP+SO plan. Ten percent (10%) of employees at firms with a high share of part-time workers were covered by an HDHP non-SO plan while only 5% were covered by an HDHP+SO plan.

### 3.2 Percent of Employees at MA Firms Covered by a High Deductible Health Plan (HDHP) through their Employer by Share of Part-Time Workers, Among MA Firms Offering Health Insurance



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## Conclusion

In keeping with the nationwide trend of increasing reliance on HDHPs by employers, the majority of employees at Massachusetts firms were offered an HDHP by their employer in 2018. However, not all of those employees had access to a savings option (Health Savings Account (HSA) or Health Reimbursement Account (HRA)) in conjunction with the HDHP they were offered. HSAs and HRAs can help to offset some of the higher cost-sharing associated with HDHPs. This study demonstrates that there is considerable variation in HDHP offerings and enrollment by key firm characteristics, with savings options less commonly available to employees at small firms, firms with a high share of low-wage workers, and firms with a high share of part-time workers.

Health insurance coverage tends to have higher cost-sharing at smaller firms,<sup>7</sup> and the majority of employees at small firms who were offered an HDHP were offered an HDHP without a savings option. Similarly, there is a greater concentration of HDHPs without a savings option among employees at firms with high shares of low-wage workers and part-time workers. These findings lead to concern that the increasing use of HDHPs and the resulting financial risk of higher health care costs may be disproportionately affecting those with fewer financial resources.

While all HDHP enrollees face significant financial responsibility for their health care costs before meeting their deductible, those without a savings option may be less prepared than others to afford those costs. With most employees at Massachusetts firms being offered HDHPs, it will be important to examine the implications of HDHPs with and without savings options on the financial security and health care decisions of workers and their families.

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<sup>7</sup> 2018 Massachusetts Employer Survey Summary of Results. 2019, Center for Health Information and Analysis.

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